

THE LEONARD LETTER

May 16, 2005

QUOTE OF THE WEEK

"It is a paradoxical truth that tax rates are too high and tax revenues are too low and the soundest way to raise the revenues in the long run is to cut the rates now....Cutting taxes now is not to incur a budget deficit, but to achieve the more prosperous, expanding economy which can bring a budget surplus."

--- President John F. Kennedy, News Conference, November 20, 1962

UNDER THE DOME

*****May Revise*****

Governor Schwarzenegger has it right: nobody can spend money they do not have. And nobody can borrow money when they do not know how to pay it back. Resisting tremendous pressures, the Governor has identified that portion of the so-called new money in state revenue as being one-time only and has refused to commit it to ongoing programs. The liberals want him to behave like an immature teenager who uses a Christmas gift as a down payment on a car without the means to make any of the loan payments. In his press conference, the Governor told the reporters that a Governor's job is much like that of a parent. Sometimes you have to say "NO" when it is in the best long term interest of your children, no matter how much they beg you now. Now let's see if the legislative leadership of the majority party will also make adult judgements and stop the whining.

*****Election Boycott*****

A little item in the mainstream media news this week tickled me. The Registrar of Voters in Yolo County has announced that she will ignore Governor Schwarzenegger's call for a special election unless she is paid. Rather than caving in to this extortion or spending money getting court orders that the election move forward, it would be better for everyone to call her bluff. After all, Yolo County (home to UC Davis) is liberal and might not support the Governor's reform agenda. If the Registrar wants to deny her constituents their right to vote then that is her problem. While the liberals are at it with this huffing and puffing maybe somebody can convince San Francisco, Alameda and a few other liberal counties to boycott the upcoming election also.

*****Good Developments for Taxpayers*****

I am happy to report that the constitutional amendment I am sponsoring to consolidate California's tax departments into one body under an elected board cleared the Assembly

Revenue and Taxation Committee last Monday on a 4-2 vote. My thanks to the author of ACA 14, Assemblyman Devore, for his hard work, and for the helpfulness of committee chair (and former BoE member) Assemblyman Klehs. This long overdue reform will bring clarity and better accountability to our tax system. I am gaining confidence that the legislature will vote it onto the ballot for the people's approval.

Unfortunately, because ACA 14 was taken up later in the committee's agenda, I spent a lot of time sitting in the committee room where I was treated to a strong taste of left wing ideology from the authors of other bills. The most stunning example was Assemblyman De La Torre's AB 1644, which would have suspended all of the states tax credit programs including: 1) the sales and use tax exemption for farm equipment and machinery purchased by farmers, 2) the personal and corporate income tax credits for research activities in California, and 3) the S Corporation deductions, among other things. This bill would have catastrophic consequences for the people of California and the state's tax base.

The Democrat-dominated Rev and Tax Committee sent the bill to the suspense file, where I hope it stays. As that happened, I was struck by De La Torre's closing comments. He said that as the chair of Budget Subcommittee #1, he has come to see how the state budget currently being considered is "hammering people" and that if the committee members believe, as he does, that the state budget is "a moral document," then they need to consider taking away tax incentives from California businesses.

Mr. De La Torre's analysis is incredibly flawed. Has he learned nothing from the epic battle of ideas against Communism? Has he not been touched by the entire world embracing free markets that are demonstrably improving the lives of millions? Does he truly believe that the only good ideas flow from the government? Does he think that if businesses do better that people are worse off?

*****Public Relations Evolution*****

Last week I mentioned Assemblyman Ray Haynes' proposal to create the California Border Police. As the measure begins receiving media attention and public scrutiny, I have been fascinated about the opposition's reaction. Previous attempts to combat-- indeed, even discuss-- illegal immigration have resulted in outraged reactions and calls of racism. Yet, no one called Assemblyman Haynes any bad names last week, which is a good thing. Instead, the usually angry opposition raised questions of constitutionality and expressed caution over the fiscal impact of creating a new state agency in a calm manner. Those who support illegal immigration are figuring out that the public does not buy the charge that someone is a racist because they are concerned about the impacts of illegal immigration. That should be an area of concern for those of us who would like to reclaim our borders. The PR battle will be different this time. It is hard to believe that the liberals would back down from this confrontation even with the public on the side of Ray Haynes.

ISSUE FOCUS: EDUCATION

*****Drop Out Redux*****

A new report from the Legislative Analyst explains how three very different groups of high schools students-- dropouts, general track students, and university bound students—are creating challenges for high schools. The LAO explains that dropouts constitute 30% of the entering ninth grade class. Despite the admission that decades of focused programs to reduce the dropout population have failed, the LAO recommends more new programs. One of the ideas is to make high schools more “accountable.” It’s a great buzz word, but I have no idea what they mean. Each dropout costs the school money in reduced state support, so the schools already have plenty of incentive to keep bodies, if not students, on campus. Another idea is to increase spending at elementary and intermediate schools to supposedly identify potential future dropouts and somehow serve them. That is called throwing money at the problem, and it is doomed to failure.

I have another idea: do nothing. Make sure that high school adult education and California's community colleges are funded and available to all. Then, when these dropouts grow up to the realization that a good job requires a good education, there will be educational opportunities for them. Not everyone matures at the same age and not everyone gets it without a few setbacks along the way. So we should design a system that is there for people when they are ready and willing to learn.

This would also mean that the high schools could focus on the 70% of the 14-18 years old who want to be there.

MISCELLANY

*****A Good Read*****

For the last several weeks I have been suggesting to you some of the world’s best books about economics. Today I recommend a book about those economists. “The Worldly Philosophers” by Robert Heilbroner reviews the lives, times and thoughts of some of the greatest economic thinkers. His biographies bring these great thinkers to life and help us see how their thinking was shaped by their upbringing and surroundings. Heilbroner draws important insights from these stories, and his concluding thought about Karl Marx is among the best: “The answer to Marx lies not so much in pointing out the injustices of communism as in demonstrating that capitalism can continue to evolve and to adapt its institutions to the never-satisfied demands of social justice.”

BOE AND LEGISLATIVE DATES

May 20, 2005 --- Last day for policy committees to meet prior to June 6.

May 24-25, 2005 --- BoE meets in Sacramento.

May 30, 2005 --- Memorial Day.

June 2, 2005 --- Tax seminar for Nonprofit and Tax Exempt Organizations in Santa Clarita.

June 15, 2005 --- Budget bill must be passed by midnight.

June 16, 2005 --- Tax seminar for Nonprofit and Tax Exempt Organizations in Bakersfield.

NOTABLE DATES/ HISTORY

May 17, 1804 --- Lewis & Clark began exploration of the Louisiana Purchase.

May 17, 1960 --- The first atomic reactor system was patented by JW Flora from Canoga Park, CA.

May 18, 1860 --- The Republican Party nominated Abraham Lincoln for president.

May 18, 1927 --- Grauman's Chinese Theater opened in Hollywood, CA.

May 19, 1928 --- 51 frogs entered the first annual "Frog Jumping Jubilee" in Angel's Camp, CA.

May 20, 1873 --- Jacob Davis and Levi Strauss received a patent for riveted pocket pants made out of blue denim. Strauss had left New York City for San Francisco during the 1850 gold rush where he sold dry goods to miners. He hired Davis to make durable pants for the miners.

May 21, 1881 --- The American Red Cross was founded by Clara Barton.

May 22, 1973 --- President Richard Nixon admitted his role in the Watergate cover-up.

GENERAL TAX INFORMATION

For answers to your general tax questions, call the Board of Equalization information center. Customer service representatives are available to help you from 8:00 a.m. to 5:00 p.m. Pacific time, Monday through Friday (except state holidays).

Toll-free number: 800-400-7115
TDD service for the hearing impaired
TDD phones: 800-735-2929
Voice phones: 800-735-2922

To reach the Taxpayer Rights Advocate's office for assistance with any BOE issues, see <http://www.boe.ca.gov/tra/tra.htm>, or call toll-free 1-888-324-2798.

HOW TO CONTACT ME

Bill Leonard, Member
State Board of Equalization, Second District
Email: bill.leonard@boe.ca.gov

Northern California Office:

400 Capitol Mall, Suite 2340
Sacramento, CA 95814
Telephone: (916) 445-2181
Fax: (916) 327-4003

Southern California Office:
4295 E. Jurupa Ave., Ste. 204
Ontario, CA 91761-1428
Telephone: (909) 937-6106
Fax: (909) 937-7044